CITY OF STOUGHTON CIP POLICY

PURPOSE

The CIP (Capital Improvement Plan) is to be used as a guide for future capital improvements and will incorporate the following elements:

1. A CIP is for large non-reoccurring expenditures.
   a. *Large*: $15,000 or more for a single item or group of similar items.
   b. *Non-reoccurring*: Not budgeted every year.
2. The CIP will cover the next six years.
3. CIP projects will be coordinated between departments of the City.
4. Because a CIP is referenced when putting together the City's Debt Plan, a high degree of confidence in the accuracy of the CIP is required (i.e., the first year's items should remain pretty much unchanged from the most recent CIP approval, the second year could have minor changes with an expectation of total amounts not varying more than 15% from the prior approval, third year changes in total should not vary more than 25% from the prior approval, and the fourth through sixth years allowed a little more flexibility.)
5. The CIP is a tool to help eliminate property tax "spikes," and an effort is made to "level out" debt service resulting from the implementation of Capital Budget items.

CALENDAR

April – May: Department Heads prepare CIP updates and review with Oversight Committees

By the end of June: CIP Team meets and reviews the prepared updates

July – August: CIP Team passes on their recommendations to the Finance Committee. (CC to the Oversight Committees and Department Heads) **(**Department Heads include subsequent year CIP items in their initial Budget requests.)

September: Finance Committee reviews CIP

Early October: COW on CIP

End of October: Council approves final CIP.

RESPONSIBILITIES

Finance Director: Overall coordination of the CIP process is vested with the Finance Director. Each year the Finance Director will identify funding sources for CIP items, i.e., Debt, Levy, or Fund Balance, and include these in the Departmental Summary Report.

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Commented [DE1]: The dollar amount differs from the capitalization policy listed in the audited financial statements

Commented [DE2]: Similar items, unless each is a component of a larger item that won't function without the others, are not considered a capital asset unless the single item exceeds the capitalization threshold

Commented [DE3]: Just because an expenditure does not occur every year does not make it a capital expenditure.

The Finance Director will also update an estimate of what percentage of the annual budget is represented by debt service for each of the next three years.

Department Heads: Will prepare a CIP Summary detailing any requested changes to the previously approved CIP. This summary will accompany the CIP as it moves through the Update approval process.

Oversight Committees: Will meet to review departmental updates assigned to them.

ADOPTED BY THE COMMON COUNCIL: January 24, 2006

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Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than $5,000 for general capital assets and $15,000 for infrastructure assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	15-75 Years
Land Improvements	15-30 Years
Machinery and Equipment	3-15 Years
Utility System	5-100 Years
Infrastructure	30-75 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Land Held for Resale

Land held for resale consists of land and improvements and is valued at cost of acquisition, demolition, and site improvement.

Other Assets

These accounts include costs related to the utility's investment in American Transmission Company (ATC) and nonutility property.

The electric utility is a member of ATC. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The utility owns less than 1/2 of 1 percent of ATC. The investment earns dividends quarterly, some of which is paid in cash and some of which is required to be reinvested. From time to time, the utility has the option to contribute additional funds to maintain their proportionate share of ownership. The asset is valued at net asset value per share which is equal to original cost plus additional contributions and reinvested dividends and approximates fair value.